



California State Board of Equalization

State Assessee Newsletter

Information on Property Tax Reporting in 2000

This is the fourth annual *State Assessee Newsletter* published by the Valuation Division of the California State Board of Equalization's Property Taxes Department. This newsletter contains important information about the 2000 state assessee valuation process, and is provided to all state assessesseees in lieu of an annual reporting seminar.

While the Board of Equalization (BOE) oversees the assessment standards and practices of each county assessor, it is also responsible for directly assessing the property of all privately owned public utilities operating in California, enabling counties to use those values to collect local property tax. Property values on the state-assessed roll are allocated by the Board to the counties where the properties are located. Each county collects taxes based upon the allocated values. The taxes are levied at the same rate that is applied to locally assessed property.

The Board's Valuation Division is responsible for annually transmitting value recommendations to the Board. To that end, staff prepares unitary value indicators for each state assessee. These indicators, which are developed annually from information provided by the state assessesseees, are used by the elected Board in determining the fair market value of the assessesseees' unitary property.

We look forward to working with each of you this upcoming valuation season. If you have any questions, please call us at 916-322-2323.

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KEY DATES TO REMEMBER

- January 1** Lien date for *all* state-assessed property
- January 3** Property statements mailed to state assessesseees
- February 1** Last day for state assessesseees to inform Chief, Board Proceedings Division, of desire to make a capitalization rate presentation to the Board on February 23, 2000
- February 23** Board will hear state assessesseees' presentations on capitalization rates and other factors and procedures affecting the 2000-01 value of their state-assessed property
- March 1** *Property Statements Due*
- April 11** Last day to request to be placed on the May 3 agenda to make a presentation on factors affecting 2000-01 values of state-assessed property
- May 3** Board will hear state assessesseees' presentations on factors affecting the 2000-01 values of state-assessed property
- May 8-23** Staff discusses value indicators and supporting data with state assessesseees
- May 24** *Board sets unitary values for all state assessesseees*
Staff mails notices of unitary value to state assessesseees
- June 13** Last day to file a declaration of intent to petition the Board for reassessment of unitary values (contingent upon mailing date of value notice)
- June 13** Last day to file a petition for reassessment of unitary values, if no declaration of intent was filed (contingent upon mailing date of value notice)
- June 30** Staff mails notice of allocated assessed values and assessed values of nonunitary property to state assessesseees
- July 13** Last day to file a petition for reassessment of unitary values, if a declaration of intent was filed (contingent upon mailing date of value notice)
- December 31** Last day to complete decisions on petitions for reassessment of unitary and nonunitary values

Under New Management

Chief Valuation Division

Mr. Harold M. Hale, Jr. was appointed Chief of the Valuation Division on July 1, 1999. Prior to his appointment as chief, Harold was Principal Property Appraiser of the Valuation Division's Transportation and Field Appraisal section. Harold brings 29 years of property taxes experience to his new position.

Principal Property Appraiser

Mr. Stanley Siu was appointed Principal Property Appraiser of the Valuation Division's Transportation and Field Appraisal section on September 1, 1999. Stanley was with the Valuation Division for 12 years before he was reassigned in 1997 to the Policy, Planning & Standards Division of the Property Taxes Department. Valuation Division staff is happy to welcome Stanley back.

Property Statement News

Revised Form BOE 534-FO (Fiber Optic) and New Form BOE-534-FOS Shared Right of Way

The Fiber Optic Right of Way form (BOE-534-FO) has been revised to more accurately reflect the land rights possessed by an assessee and to coordinate the assessment of fiber optic right of way between the county assessor's office and the Board of Equalization.

Assesseees should report all miles of fiber optic right of way, conduit and cable on the revised form BOE-534-FO. If your company has any *shared* private right of way, you must complete the *new* form BOE-534-FOS and transfer certain information to BOE-534-FO. Both forms should be submitted with the property statement. Report all miles of right of way assessed by a county assessor's office as "Locally Assessed" miles on form BOE-534-FO. Submit one copy of the right of way map(s) to the attention of Mr. Daniel Sakai, Valuation Division.

Analog vs. Digital

The cost of analog and digital equipment should be reported in separate categories on the BOE-517, Schedule B-1 Cost Detail of Depreciable Property. Assesseees should report separately, and in sufficient detail, cost by categories that will enable Board staff to apply the most appropriate trend factors and service lives in deriving cost value indicators.

Payments to Government Entities for Leased Unitary Property

A statement of payments made to government entities for leased unitary property must be included with the property statement. This will enable staff to properly calculate the value of unitary possessory interests to be included in appropriate value indicators.

Statement of Land Changes

State assesseees must report any land (other than land associated with intercounty pipelines) that is owned or used (leased) on form BOE-551 Statement of Land Changes (SLC). Specifically, all lands which have been acquired or disposed of (including partial sales or leases) since the prior lien date, must be reported on this form.

Please note that the SLC form has been revised for year 2000. The new SLC form must be used to ensure all required information is properly included. Examples of information to be reported on the SLC form include map identification number (issued by the company), parcel size, consideration, grantor, grantee, lessor, lessee, options (if the new parcel is leased), and instrument/recording reference numbers and dates.

The lease information section has been restructured for the year 2000 to include specific lease option questions. These changes are necessary to clarify the specific information required for new/renewed leases and to facilitate timely reporting by the assesseees.

Other News

Classification of Leased Property

The process of classifying leased property as unitary or nonunitary has been streamlined to provide uniform criteria that are logical and easy to understand. On November 19, 1999, the Board approved the classification change proposed by staff. It is anticipated that this change (described below) will have no material effect on total value or on the allocation of assessed value to local taxing jurisdictions.

Beginning with the January 1, 2000 lien date, leased property used in the primary function of a state assessee will be classified and assessed as unitary property. Past practice was to classify most leased property as nonunitary. This change will provide for consistent application of logical classification criteria because leased property that is used in a state assessee's unitary operations will be classified as unitary. There are no Property Statement reporting requirement changes as a result of this new policy.

Opening the Channels of Communication

Do you have associates or different departments that assist in completing the Property Statement? Keep everyone informed of any Valuation Division updates, industry-specific meetings, Capitalization Rate Studies, annual indexes and newsletters by requesting that their name and address be added to our *Interested Parties* mailing list. All requests should be in writing. Refer to the Direct Connection section of this newsletter to identify the contact person to which you should address your correspondence.

Tax Bills

Are your tax bills getting to the right address, department or person? If not, please notify us. Assessee may request that tax bills have a different address than the address that appears on the Property Statement. Requests should be received by June 30, 2000 to be effective for the 2000 lien date. All address change/correction requests *must* be in writing. Refer to the Direct Connection section of this newsletter to identify the contact person to which you should address your correspondence.

Electronic Filing

Property Statement Forms on the Internet

Effective January 3, 2000, copies of all Valuation Division property statement forms and instructions will be available on the internet. The forms may be downloaded and printed, however, electronic filing of the property statement over the internet is *not yet* available. Access the Board of Equalization Web site at www.boe.ca.gov.

The portions of the property statement that may be filed electronically (floppy diskette) are detailed below.

Tangible Property List (TPL) Data

The use of 3.5-inch floppy diskettes to file the Tangible Property List is encouraged. Upon request, a Microsoft Excel template will be provided to facilitate an acceptable electronic TPL filing. A printed copy of the electronic data must accompany electronic filings. To obtain a template, contact Mr. Ted Fagunes of the Valuation Division at (916) 323-0414.

Dollar-Age Detail Report - Pipeline Co.

Pipeline Companies are required to file Dollar-Age Detail Reports. These reports may be filed electronically using a prescribed format and acceptable software. In order to receive a copy of the electronic file format, software specifications or other information, contact Mr. Ken Thompson at (916) 323-6941.

Schedule B-1 Gas and Electric Co.

Gas and Electric Companies are required to file a Schedule B-1. The B-1 may be filed electronically. In order to receive a copy of the electronic file format, software specifications or other information, contact Mr. Steven Hieb at (916) 324-2745.

Reminders

Claimed Obsolescence

Assessee should report separately, and in sufficient detail, supporting data for any write-downs of cost, extraordinary damage or obsolescence, or any other information that may assist the Board in estimating fair market value.

Leased Property

Pursuant to Revenue and Taxation Code section 826, any property owned, claimed, possessed, used, controlled or managed by a state assessee shall be reported on the property statement. This includes property leased from other state assesses, leasing companies, financial institutions, equipment vendors or governmental agencies. Property specific to the business normally conducted by the state assessee may be assessed to the assessee even if the lease contract obligates the lessor to pay the property tax.

Prescribed Forms

A positive response is required for all parts of the property statement. If a requested item does not apply, please so state. Financial schedules must be completed in their entirety using Board-supplied or Board-approved forms; no schedules other than those supplied by the Board will be accepted without prior approval. Otherwise, a penalty of 10%, in accordance with section 830 of the Revenue and Taxation Code, will be imposed for failure to file a complete property statement.

Statement of Authorization

If a state assessee wishes to designate a representative to inspect or copy information, documents, or records, including narratives and workpapers relating to the appraisal and the assessment of its property during the period January 1, 2000 through December 31, 2000, a *Statement of Authorization*, form BOE-892, must be filed. The name of the designated representative must be printed in the appropriate box and the statement must be signed by the company's owner, partner, or officer. This form must be filed annually in order for the representative's status to remain current. A copy of the *Statement of Authorization* form will be included with each property statement packet.

The *Statement of Authorization* is intended to guard against unauthorized access to confidential taxpayer information.

Extensions and Penalties

Filing for an Extension

Requests for an extension to file all or part of the property statement will be granted **only for good cause**. Requests must be in writing. Incomplete requests will be denied.

A request for extension must be filed on form BOE-517 EXT (included in the property statement packet) and must include all pertinent information and be signed by a legal signatory. Faxed requests must be sent to (916) 322-3183.

Penalty Provisions

Section 830 of the Revenue and Taxation Code provides the authority for the Board to impose penalties for failure to file a property statement, or failure to file a timely and/or complete property statement. The following is a summary of the provisions.

If any person who owns, claims, possesses, uses, controls or manages state-assessed property fails to file a property statement, in whole or in part, by March 1, or by that later date to which the filing period is extended, a penalty shall be added to the full value of the assessment of so much of the property as is not timely reported as follows:

1. 10% penalty for any part of the property statement relating to the development of the unit value of operating property.
2. 10% penalty for any part of the property statement that lists or describes specific operating property.
3. 10% penalty for any part of the property statement that lists or describes specific nonunitary property.
4. 25% penalty for fraudulent or willful attempt to evade the tax.
5. Penalty limited to \$20,000,000 of full value.

Direct Connection

To serve you better, we are providing you with a direct line to the individual responsible for your specific industry. If you have questions regarding completion of the property statement, please contact the appropriate individual.

| Subject | Contact | Telephone Number |
|---------------------------------------|------------------------|------------------|
| Fiber Optic Right of Way (ROW) | Mr. Dan Sakai | (916) 324-2968 |
| Gas and Electric Co. | Ms. Esther Lai | (916) 324-2969 |
| Gas Transmission Co. | Ms. Esther Lai | (916) 324-2969 |
| Interexchange Telephone Co. | Mr. Don Jackson | (916) 323-6940 |
| Local Telephone Co. | Ms. Esther Lai | (916) 324-2969 |
| Pipeline Co. | Mr. Ken Thompson | (916) 323-6941 |
| Railcar Facilities | Mr. Ken Thompson | (916) 323-6941 |
| Railroad Co. | Mr. Ken Thompson | (916) 323-6941 |
| Real Property | Mr. Jerry Del Agostino | (916) 324-0036 |
| Tangible Property List | Mr. Ted Fagunes | (916) 323-0414 |
| Wireless Telephone Co. ⁽¹⁾ | Ms. Esther Lai | (916) 324-2969 |
| All Other Questions | | (916) 322-2323 |
| FAX | | (916) 322-3183 |

⁽¹⁾ Wireless Telephone Companies include Cellular, Personal Communication Service (PCS), and Radio Common Carrier providers.